Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

上海电气 #
SHANGHAI ELECTRIC

SHANGHAI ELECTRIC GROUP COMPANY LIMITED
上海電氣集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02727)

2012 INTERIM RESULTS

Performance Highlights

- **Revenue for the first half of 2012 reached RMB36,003 million, representing an increase of 7.2% over the corresponding period last year**
- **Profit attributable to owners of the parent for the first half of 2012 was RMB1,927 million, representing an increase of 17.7% over the corresponding period last year**
- **Basic earnings per share were RMB15.03 cents, representing an increase of 17.7% over the corresponding period last year**
- **The Board of Directors did not recommend interim dividend during the period**

The board of directors (the "**Board**") of Shanghai Electric Group Company Limited (the "**Company**") is pleased to announce the interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2012. The results have not been audited but have been reviewed by audit committee of the Company.

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	For the six months ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
REVENUE	3	36,002,873	33,583,075
Cost of sales		(29,263,115)	(27,788,280)
GROSS PROFIT		6,739,758	5,794,795
Other income and gains	3	499,185	326,804
Selling and distribution costs		(859,056)	(802,993)
Administrative expenses		(2,190,115)	(1,908,977)
Other expenses		(1,308,659)	(1,040,817)
Finance costs		(60,692)	(40,816)
Share of profits and losses of:			
Jointly-controlled entities		75,156	54,848
Associates		319,445	346,675
PROFIT BEFORE TAX	4	3,215,022	2,729,519
Income tax expense	5	(475,079)	(356,497)
PROFIT FOR THE PERIOD		2,739,943	2,373,022
ATTRIBUTABLE TO:			
Owners of the parent		1,927,188	1,637,044
Non-controlling interests		812,755	735,978
		2,739,943	2,373,022
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT7			
Basic and diluted	7		
- For profit for the period (RMB)		15.03 cents	12.77 cents

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	2,739,943	2,373,022
Changes in fair value and disposal of available-for-sale investments net of income tax	180,942	(100,356)
Effective portion of changes in fair value of hedging instruments net of income tax	(71,764)	30,295
Exchange realignment	(11,072)	27
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	98,106	(70,034)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,838,049	2,302,988
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	2,006,427	1,587,109
Non-controlling interests	831,622	715,879
	2,838,049	2,302,988

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		14,225,737	13,617,950
Investment properties		126,516	129,368
Prepaid land lease payments		1,680,557	1,461,977
Goodwill		158,494	12,483
Other intangible assets		932,444	773,629
Investments in jointly-controlled entities		348,964	319,887
Investments in associates		3,937,785	2,991,706
Loans receivable		1,015,449	978,288
Other investments		1,225,128	680,576
Derivative financial instruments		32,768	74,346
Other non-current assets		246,920	229,790
Deferred tax assets		1,589,293	1,502,589
Total non-current assets		25,520,055	22,772,589
CURRENT ASSETS			
Inventories		21,243,845	20,885,190
Construction contracts		468,760	290,134
Trade receivables	8	22,407,538	18,364,867
Loans receivable		1,488,930	953,191
Discounted bills receivable		607,631	903,144
Bills receivable		4,065,422	4,450,924
Prepayments, deposits and other receivables		11,340,756	10,448,561
Investments		3,373,647	4,141,267
Derivative financial instruments		74,875	106,184
Due from the Central Bank		2,564,013	2,950,785
Restricted deposits		625,774	629,398
Cash and cash equivalents		17,041,887	19,088,481
		85,303,078	83,212,126
Assets of a disposal group classified as held for sale		-	730,344
Total current assets		85,303,078	83,942,470

continued/…

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 JUNE 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
CURRENT LIABILITIES			
Trade payables	9	22,019,210	20,656,571
Bills payable		1,799,167	1,993,882
Bonds		1,000,000	1,000,000
Other payables and accruals		38,226,018	37,011,191
Derivative financial instruments		20,153	2,243
Customer deposits		1,614,754	2,784,445
Interest-bearing bank and other borrowings		1,763,972	684,991
Tax payable		630,721	1,120,304
Provisions		1,931,456	1,902,686
		69,005,451	67,156,313
Liabilities directly associated with the assets classified as held for sale		-	228,428
Total current liabilities		69,005,451	67,384,741
NET CURRENT ASSETS		16,297,627	16,557,729
TOTAL ASSETS LESS CURRENT LIABILITIES		41,817,682	39,330,318

continued/…

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 JUNE 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		727,554	700,552
Provisions		82,195	45,907
Government grants		365,433	368,686
Derivative financial instruments		185,043	180,215
Other non-current liabilities		49,375	42,256
Deferred tax liabilities		440,666	336,924
Total non-current liabilities		1,850,266	1,674,540
Net assets		39,967,416	37,655,778
EQUITY			
Equity attributable to owners of the parent			
Issued capital		12,823,627	12,823,627
Reserves		17,574,906	15,453,840
Proposed dividend		-	979,725
		30,398,533	29,257,192
Non-controlling interests		9,568,883	8,398,586
Total equity		39,967,416	37,655,778

SHANGHAI ELECTRIC GROUP COMPANY LIMITED

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2012

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that are adopted for the first time for the current period's unaudited interim condensed consolidated financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: *Disclosure - Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2. SEGMENT INFORMATION

For the purpose of management, segment information is presented by way of two segment formats by the Group: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group organises and manages its operating business in accordance with the nature of business and provision of goods and services. Each business segment of the Group is one operating group, providing goods and services with risks and rewards different from those of the other business segments.

Detailed descriptions of business segments are as follow:

(a) the new energy segment is engaged in the design, manufacture and sale of nuclear power nuclear island equipment products, wind power equipment products and heavy machinery including large forging components;
(b) the high efficiency and clean energy segment is engaged in the design, manufacture and sale of thermal power equipment products, nuclear power conventional island equipment products and power transmission and distribution equipment products;
(c) the industrial equipment segment is engaged in the design, manufacture and sale of elevators, electrical motors, machine tools, printing and packaging equipment, marine crankshafts and other electromechanical equipment products;
(d) the modern services segment is principally engaged in the provision of integrated engineering services for power station projects and other industries, financial services and functional services including international trading services; and
(e) the "others" segment includes components such as the central research institute.

2. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue and profit/(loss) of the Group's business segments for the six months ended 30 June 2012 (the "Period"):

Six months ended 30 June 2012 (Unaudited)	New energy RMB'000	High efficiency and clean energy RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,012,337	14,833,480	9,300,674	8,338,274	518,108	-	36,002,873
Intersegment sales	216,182	3,972,514	307,827	276,110	117,956	(4,890,589)	-
Total	3,228,519	18,805,994	9,608,501	8,614,384	636,064	(4,890,589)	36,002,873
Operating profit/(loss)	53,649	1,675,932	903,855	386,519	(8,246)	(130,596)	2,881,113
Finance costs							(60,692)
Share of profits and losses of jointly-controlled entities	-	-	504	74,652	-	-	75,156
Share of profits and losses of associates	-	146,288	163,660	6,710	2,787	-	319,445
Profit before tax							3,215,022
Income tax expense							(475,079)
Profit for the period							2,739,943

2. SEGMENT INFORMATION (continued)

Business segments (continued)

The following tables present revenue and profit/(loss) of the Group's business segments for the six months ended 30 June 2011:

Six months ended 30 June 2011 (Unaudited)	New energy RMB'000	High efficiency and clean energy RMB'000	Industrial equipment RMB'000	Modern services RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	2,698,572	14,476,921	9,542,576	6,284,105	580,901	-	33,583,075
Intersegment sales	232,786	1,136,783	397,392	198,965	155,969	(2,121,895)	-
Total	2,931,358	15,613,704	9,939,968	6,483,070	736,870	(2,121,895)	33,583,075
Operating profit/(loss)	160,802	1,279,423	789,734	281,622	(80,512)	(62,257)	2,368,812
Finance costs							(40,816)
Share of profits and losses of jointly-controlled entities	-	-	1,548	53,300	-	-	54,848
Share of profits and losses of associates	-	147,834	200,669	4,780	(6,608)	-	346,675
Profit before tax							2,729,519
Income tax expense							(356,497)
Profit for the period							2,373,022

2. SEGMENT INFORMATION (continued)

Geographical segments

The following table presents revenue information on the Group's geographical segments for the six months ended 30 June 2012 and 30 June 2011:

	Six months ended 30 June 2012 (Unaudited)			Six months ended 30 June 2011 (Unaudited)		
	Mainland China RMB'000	Elsewhere RMB'000	Total RMB'000	Mainland China RMB'000	Elsewhere RMB'000	Total RMB'000
Segment revenue						
Sales to external customers	28,145,700	7,857,173	36,002,873	27,374,795	6,208,280	33,583,075

3. REVENUE, OTHER INCOME AND GAINS

Revenue includes turnover and other revenue that arise from the ordinary course of business of the Group. The Group's turnover, which arises from the principal activities of the Group, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts and the value of services rendered, net of sale taxes and surcharges.

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue		
Turnover		
Sales of goods	27,011,727	26,453,997
Construction contracts	6,875,064	5,285,023
Rendering of services	1,280,250	1,085,050
	35,167,041	32,824,070

3. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows (continued):

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other revenue		
Sales of raw materials, spare parts and semi-finished goods	365,145	384,133
Gross rental income	59,044	49,447
Shanghai Electric Group Finance Company ("Finance Company"):		
Interest income from banks and other financial institutions	164,284	135,990
Interest income on loans receivable and discounted bills receivable	90,720	74,332
Others	156,639	115,103
	835,832	759,005
	36,002,873	33,583,075
Other income		
Interest income on bank balances and time deposits	101,023	70,508
Interest income on debt investments	-	1,936
	101,023	72,444
Dividend income from equity investments and investment funds	2,728	32,823
Subsidy income	137,843	45,960
Others	36,672	16,242
	278,266	167,469

continued/…

3. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of revenue, other income and gains is as follows (continued):

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Gains		
Gain on disposal of items of property, plant and equipment	7,720	7,548
Gain on disposal of subsidiaries	156,024	-
Investments at fair value through profit or loss:		
Unrealised fair value gains, net	941	1,571
Realised fair value gains, net	4,425	5,935
Derivative financial instruments- transactions not qualifying as hedges:		
Unrealised fair value gains/(losses), net	1,800	(14,957)
Realised fair value gains, net	-	44,233
Realised gain on available-for-sale investments (transfer from equity)	22,288	42,290
Gain on disposal of unquoted equity investments stated at cost	-	61,796
Exchange (losses)/gains, net	(17,119)	10,919
Others	44,840	-
	220,919	159,335
	499,185	326,804

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	22,070,142	20,923,345
Cost of construction contracts	5,634,069	4,804,042
Cost of services provided	1,120,003	940,605
Finance Company:		
Interest expense due to banks and other financial institutions	8,575	4,081
Interest expense on customer deposits	15,149	13,422
Interest expense on bonds	24,000	19,200
	47,724	36,703
Depreciation of property, plant and equipment	587,445	536,126
Depreciation of investment properties	2,852	3,119
Recognition of prepaid land lease payments*	15,801	14,918
Amortisation of patents and licences	11,098	8,798
Amortisation of concession intangible assets	10,137	8,970
Amortisation of other intangible assets	6,936	4,559
Research and development costs:*		
Amortisation of technology know-how	11,337	20,659
Current period expenditure	687,433	566,407
	698,770	587,066
Minimum lease payments under operating leases:		
Land and buildings	83,694	80,536
Plant, machinery and motor vehicles	49,409	42,481
Staff costs	2,863,018	2,340,951
Write-down of inventories to net realisable value	95,729	124,260
Impairment on trade receivables and other receivables*	598,907	405,317
Addition/(reversal) of impairment of loans receivable*	1,226	(6,795)
Impairment on discounted bills receivable*	7,889	8,300

4. PROFIT BEFORE TAX (continued)

he Group's profit before tax is arrived at after charging/(crediting) (continued):

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Impairment of goodwill*	-	3,627
Product warranty provision:		
Additional provision	98,597	61,980
Reversal of unutilised provision	-	(2,959)
Onerous contract provision:		
Additional provision	227,820	392,566
Late delivery provision:		
Reversal of provision	-	(24,000)

* These items are included in "Other expenses" on the face of the unaudited interim condensed consolidated income statement.

5. INCOME TAX

With the PRC Corporate Income Tax Law (the "Corporate Income Tax Law") effective on 1 January 2008, the Company and all of its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% for the period of the six months ended 30 June 2012 under the income tax rules and regulations of the PRC, except that:

- certain subsidiaries are subject to a corporate income tax rate of 15% as they have been assessed as "High-New Technology Enterprises" under the Corporate Income Tax Law for the successive three years from 2011.

Tax on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

5. INCOME TAX (continued)

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Group:		
Current – Mainland China		
Charge for the period	607,939	552,958
Overprovision in prior years	(25,097)	(10,984)
Current – Elsewhere		
Charge for the period	4,868	10,768
Underprovision in prior years	643	-
Deferred	(113,274)	(196,245)
Total tax charge for the period	475,079	356,497

6. DIVIDEND

The Board of Directors did not recommend interim dividend during the period.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB1,927,188,000 (the six months ended 30 June 2011: RMB1,637,044,000) and the weighted average number of 12,823,626,660 ordinary shares in issue during the Period (for the period of six months ended 30 June 2011: 12,823,626,660 ordinary shares).

No diluted earnings per share amounts have been presented for the six months ended 30 June 2012 and 30 June 2011 as no diluting events occurred during these periods.

8. TRADE RECEIVABLES

An ageing analysis of trade receivables, based on the due date, and net of provision for bad and doubtful debts, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Undue	13,292,929	12,049,667
Within 3 months	2,871,913	2,085,445
Over 3 months but within 6 months	3,099,666	1,495,822
Over 6 months but within 1 year	1,549,852	1,549,520
Over 1 year but within 2 years	1,293,806	828,933
Over 2 years but within 3 years	260,099	338,624
Over 3 years	39,273	16,856
	22,407,538	18,364,867

For sales of large-scale products, deposits and progress payments are required from customers. Retention money is calculated mainly at 5% to 10% of total sales value, with retention periods of one to two years.

For the sale of other products, the Group's trading terms with customers are mainly on credit except for new customers, where payment in advance or cash on delivery is normally required. The credit period is generally three months and may extend to six months for key customers.

9. TRADE PAYABLES

An ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 3 months	11,550,196	12,895,492
Over 3 months but within 6 months	3,264,102	2,696,856
Over 6 months but within 1 year	3,960,992	2,364,021
Over 1 year but within 2 years	2,073,920	1,607,005
Over 2 years but within 3 years	509,198	724,901
Over 3 years	660,802	368,296
	22,019,210	20,656,571

10. OTHER SIGNIFICANT MATTERS

(1) On 20 April 2011, the Company signed the letter of intent to form a joint venture with Alstom Holdings in Shanghai, each party holding a 50% equity interest in the joint venture. The joint venture will engage in the business of power station boilers and auxiliary products. Up to the end of the reporting period, the joint venture agreement and other related matters are still under negotiation.

(2) On 8 December 2011, the Company entered into a joint venture agreement with Siemens Ltd., China to form a joint venture, namely Shanghai Electric Wind Energy Co., Ltd. (“Wind Energy”), engaged in the sales of wind power equipment, and to inject capital to Siemens Wind Power Turbines (Shanghai) Co., Ltd. (“SWPT”), engaged in the research and production of wind power equipment. The Company will make capital injections to Wind Energy and SWPT amounting to EUR 53,043,000 and EUR31,022,000, respectively. Upon the completion of transactions, the Company will hold a 51% equity interest in each of the joint ventures. Up to the end of the reporting period, the procedures of capital injection into Wind Energy and SWPT are still in process.

11. EVENTS AFTER THE REPORTING PERIOD

(1) On 8 February 2012, Shanghai Mechanical & Electrical Industry Co., Ltd. (“SME”), a subsidiary of the Company, entered into an equity transfer agreement to acquire a 100% equity interest in Goss International Corporation (“Goss”) from Shanghai Electric (Group) Corporation (the “SE Corporation”) for a cash consideration of RMB571,060,000. The consideration for the equity transfer was determined with reference to the appraised total share value of Goss. The equity has been transferred through Shanghai United Assets and Equity Exchange on 2 July 2012, while the approval procedures by the relevant authorities are still in process.

(2) On 27 July 2012, the Board of the Company agreed to purchase the 100% equity interest in Shanghai Electric Leasing Co., Ltd. (“SEL”) from SE Corporation for a consideration of RMB 551,811,000, based on the net assets of SEL evaluated as at 31 March 2012. The acquisition plan is subject to the approval of the Company’s shareholders meeting.

(3) On 27 July 2012, the Board of the Company agreed to purchase the 100% equity interest in Shanghai Electric Insurance Company Brokerage Co., Ltd. (“SEICB”) from SE Corporation for a consideration of RMB 12,343,000, based on the net assets of SEICB evaluated as at 31 March 2012. The acquisition plan is subject to the approval of the Company’s shareholders meeting.

REVIEW OF OPERATIONS

In the first half year of 2012, the world economy was headed for a "double dip" under fierce volatility in economic environment. A strong pressure of economic decline was under brewing due to the shrink in external market demand. During the reporting period, in face of such a complicated economic environment, the Group adhered to its principle of “innovation driven and transformative development” and placed much emphasis on improving its management capability, competitiveness, profitability and sustainability. The Group has progressed with steady pace during the first half year and reached its goals in terms of different key economic indices early this year.

Enhancing operational efficiency through better management

With 2012 being a “year of management” of the Company, based on the vision that “good management is a non-replicable competitive edge”, we actively carried out financial and information management and made progress in the current stage, which further lifted the Group’s overall operational efficiency. In respect of financial management, in order to enhance profit management, profitability, budget planning and financial analysis, a “Management Cockpit” was formed in the information system to enable full mastering of the economic condition by the management of the Group and become a strong support to their financial decision. Besides, capital management was meliorated for the setting up of an “Accelerated Receivables Management System” (ARMS project). This system consummates management measures, focuses on the monitoring of trade receivables and adopts “centralized, networking management” model. As such, the Group was able to enhance its capital utilization rate. In terms of information management, visualization and digitalization controls were carried out in our production base at Lingang, which closely combined information management with technical, quality and cost controls to strengthen the “soft power” of the equipment manufacturing business. Relied on the advices regarding strategic procurement management provided by Roland Berger, a strategy consulting company, we implemented differentiated procurement tactics in the plants under Shanghai Electric Power Generation Group; and through cooperation with the consultancy firm, iCognitive, we improved supply chain management in the turbine plant and power station.

Strengthening Core Competitiveness by driving technical advancement

During the reporting period, we further advanced our level of technical innovation and reinforced our effort on technology research and development. With our pioneering technology, the Group upgraded our industrial chain to high-end and by adjusting product structure and enhancing our product capability and market competitiveness. Regarding thermal power equipment, we joined force with various companies namely China Guodian Corporation and China Power Engineering Consulting Group Corporation for the self-development of the “1,000MW two-stage reheat power generation unit”. It is expected that consumption of thermal coal will fall to 256.28 g／kWh, which is 6g lower than that of the most advanced thermal power generation unit around the world under the same boundary conditions, which is significant to China in respect of energy saving and emission reduction in the future. In respect of nuclear power development, we pushed forward the industrialization of the new nuclear power technology. For example, we registered our own intelligent property rights with our core technical products like welded rotors and long blades, and became self-reliance of key parts of nuclear power plants. We achieved breakthrough in the development of our third-generation nuclear power technology as our “large forging components for AP1000 Nuclear Island equipment” and “large forging components for high temperature gas cooling reactor used in nuclear island equipment” passed the state’s technology testing. Besides,

REVIEW OF OPERATIONS (continued)

domestic manufacturing of primary pump for nuclear power plant was started and series of nuclear power products, e.g. the second generation, the second generation plus and the third generation nuclear power equipments, had been developing with full force. Shanghai Mitsubishi Elevator Co., Limited under the Group launched NexWay, a new energy saving, environment-friendly, middle-to-high speed passenger elevator. Such product was evolved from the technique introduced before by applying world class, state-of-the-art elevator technologies such as the technology to enable micro computer network to control electricity conversion, transformation, frequency variation and speed adjustment, energy recycling technology and permanent magnet synchronous traction technique, which not only uplifted the self-innovation capability of the domestic elevator manufacturers, but also coped with the domestic market demand of middle-to-high speed elevators. Upon its launching, the new product received high recognition from users and was installed in various landmarks in China, namely the buildings of China Central Television (CCTV) and Tianjin World Financial Center.

Speeding up market expansion by responding to market positively resisting difficult environment

In face of the downturn of both domestic and overseas markets and intensified competition, we reacted cautiously and strengthened our sales and marketing effort so as to gain additional market share. During the reporting period, we secured new orders of gas turbines of RMB 3 billion, summing up an aggregate value of orders on hand of RMB 9 billion. Our first overseas gas turbine engineering (EPC) project – the gas turbine project in Sylhet, Bangladesh had entered into the stage of quality guarantee, demonstrating our ability to contract overseas EPC projects regarding domestic and overseas gas turbine and also paving a solid foundation for further expansion to the overseas gas turbine market. During the reporting period, our wind power business obtained new orders of exceeding RMB 2 billion, and our cooperation with Siemens regarding wind power operation, in particularly, off-shore wind power, will be commenced soon. Moreover, during the reporting period, we strived to take up significant projects from sizeable companies in the elevator operations. The elevators orders intake during the Period maintained persistent growth and marked a new record high in the growth rate. Adhering to our goal of gaining market share by offering satisfactory services, our power station service segment secured new orders of RMB 1.1 billion during the reporting period. In pursuit of financial innovation, we made significant progress in various projects by combining industrial capitals with financial capitals in order to foster business development and enhance market competitiveness.

Maintaining sustainable development by innovation-driven approach

Business innovation continued to be our strategy during the reporting period to appropriately plan for further expansion of the Group. Upon cooperation with Shanghai Municipal Electric Power Company in the field of power transmission and distribution, we recorded more than 50% growth in sales revenue from power transmission and distribution for the first half year over the corresponding period last year. During the reporting period, our seawater desalination business won new orders for two domestic and overseas projects, which were the project regarding water feeding system for boiler in Wasit, Iraq (2x2,400 tonnes/day) and the project regarding MED seawater desalination for the third phase of a power station at Huang Hua City, Hebei (1x25,000 tonnes/ day). Targeting to become a technology pioneer in the air cooling industry, Shanghai Electric-SPX Engineering & Technologies Co., Ltd, a joint venture between USA SPX and the

REVIEW OF OPERATIONS (continued)

Company, strengthens the Group's competitive edge in terms of core technology for air cooling island and moisture separator reheater (MSR) products through technology introduction and innovation. The SPX joint venture secured new orders of more than RMB 400 million and is currently the only supplier among the three biggest power station equipment manufacturers in China which is capable of providing the overall design and good supply in respect of electric furnaces and air cooling islands. During the reporting period, we established joint ventures with Carrier from the US, Mitsubishi from Japan and Schneider from France respectively to offer comprehensive, quality services to customer in the areas of energy-saving central air conditioning, visualized and intelligent plant management, and restructuring of the existing buildings for energy saving. These new segments, after being consolidated and expanded, will provide strong support to the sustainable development of the Company.

MANGEMENT DISCUSSION AND ANALYSIS

Review of Operating Results

During the reporting period, turnover of the Group amounted to RMB36,003 million, representing an increase of 7.2% over the corresponding period last year, and its net profit attributable to owners of the parent amounted to RMB1,927 million, up 17.7% over the corresponding period last year.

New Energy Equipment

During the reporting period, the new energy equipment recorded sales revenue of RMB3,229 million, representing growth of 10.2% over the corresponding period last year. Among which, revene generated from nuclear power island was RMB1,477 million, amounting to an increase of 37.8% over the corresponding period last year. Both gross profit margin and operating margin of the new energy equipment had variously dropped, which were mainly due to the drop of market price of wind power products caused by intensified competition in the wind power product industry and the decline in profit as a result.

High Efficiency and Clean Energy Equipment

The high efficiency and clean energy equipment recorded sales revenue of RMB18,806 million during the reporting period, which was 20.4% higher than that of the corresponding period last year, and the gross profit margin of the high efficiency and clean energy equipment was 19.2%, representing a rise of 0.7 percentage point over the corresponding period last year. Operating margin of the high efficiency and clean energy equipment was 8.9%, up 0.7 percentage point as compared to that of the corresponding period last year. The increase was primarily due to the increase in sales of thermal power equipment of the Company and resulting rise in profit, as well as the growth in the operating profits of the power transmission and distribution equipment business during the reporting period.

MANGEMENT DISCUSSION AND ANALYSIS (continued)

Industrial Equipment

During the reporting period, the industrial equipment achieved sales revenue of RMB9,609 million, representing a decline of 3.3% over the corresponding period last year, which was mainly caused by the divestment from the engineering machinery business. Sales revenue generated from the elevator business increased 9.9% over the corresponding period last year. Gross profit margin of the industrial equipment business was 18.8%, which was 0.4 percentage point lower than that of the corresponding period last year. The operating margin generated from the industrial equipment was 9.4%, up 1.5 percentage points over the corresponding period last year, mainly due to the increase in profit as driven by the gain from disposal of a subsidiary during the reporting period.

Modern Services

During the reporting period, the modern services recorded sales revenue of RMB8,614 million, representing growth of 32.9% over the corresponding period last year, which was primarily boosted by the rise in sales of the power plant EPC projects and the power plant services. Gross profit margin and the operating profit of the modern services business amounted to 10.0% and 4.5% respectively, representing respectively increases of 2.5 percentage points and 0.2 percentage point over the corresponding period last year. The increase was caused by the increase in profits generated from the general contracting of power plant engineering project.

Outlook

Looking ahead, we will remain open-minded and operate in line with the industrial trend so as to enrich our product portfolio, to perfect sales model, to integrate technical resources and change the way of investment. In compliance with the State's policies, we will focus on the growth of our core businesses, maintain competitive edge and strengthen our industrial position in order to upgrade our business to high-end level. In terms of development of new business segment, we will make much effort on business innovation and provide strong support to the emerging industries. We will continue to enhance our ability in merger and acquisition. To maintain the sustainable development of Shanghai Electric, we have to grow through innovation, transform during development and upgrade upon transformation.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the provisions as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its model code for securities transactions by directors (the "Directors"), supervisors (the "Supervisors") and relevant employees of the Company. Further to the Company's enquiry, all Directors and Supervisors confirmed that they had complied with the Model Code and the relevant provisions as set out in Appendix 10 of the Listing Rules during the period from 1 January 2012 to 30 June 2012.

CORPORATE GOVERNANCE

For the first half of 2012, the Board is of the view that the Company had complied with the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules except for deviation from code provision A.2.1 of the Code concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1 of the Code, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. For the first half of 2012, the duties of the Chairman of the Board and the Chief Executive Officer have been carried out by Mr. Xu Jianguo. However, Mr. Huang Dinan, an Executive Director and the President, is fully responsible for the day-to-day operations of the Company and execution of instructions from the Board. The Company is of the opinion that segregation of duties and responsibilities between the Board and the senior management has been well maintained and there exists no problem of over-centralization of management power.

STRATEGY COMMITTEE

The strategy committee comprises Mr. Xu Jianguo, Mr. Huang Dinan, Ms. Xu Ziying, Mr. Zhu Sendi and Dr. Lui Sun Wing. During the reporting period, the strategy committee has discussed and reviewed the Company's future development plans with the management team.

NOMINATION COMMITTEE

The nomination committee comprises Mr. Zhu Sendi, Mr. Huang Dinan and Dr. Cheung Wai Bun. The nomination committee is primarily responsible for studying the criteria, procedures and methods for selecting candidates for directors and making recommendations to the Board on the selection and appointment of directors of the Company.

AUDIT COMMITTEE

Our audit committee, comprising Dr. Cheung Wai Bun, Mr. Zhu Sendi, Dr. Lui Sun Wing and Ms. Yao Minfang, has reviewed the accounting policies adopted by the Group, and credit limits of its connected transactions, with the management and the Company's external auditors, and discussed on matters concerning internal control and financial reporting of the Group, including review and approval of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2012.

REMUNERATION COMMITTEE

The remuneration committee, which comprises Dr. Lui Sun Wing, Mr. Huang Dinan and Mr. Zhu Sendi, is mainly responsible for providing recommendations to the Board in respect of the remuneration policy and structure of the Directors, Supervisors and operating team of the Company, and determining applicable and transparent procedures.

DIVIDEND

The Board of Directors did not recommend interim dividend during the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the reporting period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities.

DISCLOSURE OF INFORMATION ON STOCK EXCHANGE'S WEBSITE

The results announcement will be published on the Company's website (http://www.shanghai-electric.com) and the Stock Exchange's website (http://hkexnews.hk). The 2012 Interim Report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

BOARD OF DIRECTORS AND SUPERVISORS

As at the date of this announcement, the executive directors of the Company are Mr. Xu Jianguo, Mr. Huang Dinan and Mr. Yu Yingui; the non-executive directors of the Company are Mr. Zhu Kelin and Ms. Yao Minfang; and the independent non-executive directors of the Company are Mr. Zhu Sendi, Dr. Cheung Wai Bun and Dr. Lui Sun Wing.

During the reporting period, the Supervisors of the Company are Mr. Dong Jianhua, Mr. Xie Tonglun, Mr. Li Bin, Mr. Zhou Changsheng and Mr. Zheng Weijian.

By order of the Board
Shanghai Electric Group Company Limited
Xu Jianguo
Chairman

Shanghai, the PRC
24 August 2012

 # For identification purpose only